

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 875 - HB 724

February 20, 2013

SUMMARY OF BILL: Authorizes the counties of Davidson, Hamilton, Knox, and Shelby, as well as the cities of Nashville, Chattanooga, Knoxville, and Memphis to issue bonds for the purpose of funding pension benefits for former service employees. Requires the provisions of this bill to sunset on July 1, 2015, provided that no bond issued prior to July 1, 2015, shall be ineffectual.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures – Exceeds \$100,000/Permissive

Assumptions:

- Pursuant to Tenn. Code Ann. § 9-21-127, local governments may issue general obligation bonds for certain unfunded pension obligations if approved by the state funding board after receiving a recommendation by the Comptroller of the Treasury. Bonds issued under this chapter shall mature in no more than 30 years and shall be invested in accordance with the provisions of an investment trust pursuant to Tenn. Code Ann. Title 8, Chapter 50, Part 12.
- This bill would extend the ability of certain local governments to issue bonds to fund pension obligations for former employees, but would still require the oversight of the state funding board and Comptroller of the Treasury.
- Based on information provided by the Comptroller of the Treasury, any cost can be accommodated within existing resources without an increased appropriation or reduced reversion.
- The fiscal impact of this bill to local governments is dependent upon multiple unknown factors, including but not limited to, the principal amounts of any bonds issued, the terms of any issued bonds, the coupon interest rates for issued bonds, and the timing of issuance. Given the extent of unknown factors, a precise fiscal impact to local government expenditures cannot be determined. However, the permissive increase in local government expenditures is reasonably estimated to exceed \$100,000 per year.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/jrh